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WHEREAS, on or about January 28, 2005, Debtor Westwood Chemical Corp. (the "Debtor" or "Westwood") was placed in bankruptcy by an involuntary petition filed by creditors under Chapter 7 of the bankruptcy code (the "Code"), which was superseded by a voluntary petition filed on February 11, 2005, and the cases were consolidated by Order dated April 11, 2005;

WHEREAS, on or about April 7, 2005, Paul L. Banner was appointed Trustee of the Westwood Bankruptcy Estate (the "Trustee");

WHEREAS, on or about February 5, 2005, the Town of Walkill notified the New York State Department of Environmental Conservation ("DEC") that the Westwood Chemical Superfund Site located at 46 Tower Road, Middletown, New York 10941, in Orange County,

New York (the "Westwood Site") had been abandoned and, upon inspection, DEC determined that the Westwood Site posed an imminent threat to human health and the environment;

WHEREAS, in February, 2005, DEC performed emergency removal and response actions pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. § 9601 et seq., at the Westwood Site;

WHEREAS, on February 22, 2005, DEC requested that the United States Environmental Protection Agency ("EPA") perform a CERCLA response action to address hazardous materials at the Westwood Site, and, following a removal site evaluation, EPA determined that conditions at the Westwood Site presented an imminent and substantial endangerment to public health or welfare or the environment, and EPA authorized the performance of a time-critical response action pursuant to CERCLA at the Westwood Site;

WHEREAS, from March 2005, through March 2006, EPA performed response actions pursuant to CERCLA at the Westwood Site;

WHEREAS, on or about July 19, 2005, the United States, on behalf of the EPA, filed an Application for Payment of Administrative Expenses against the Debtor's estate for costs incurred by the United States pursuant to CERCLA in performance of the response action at the Westwood Site;

WHEREAS, on or about July 10, 2006, the United States, on behalf of EPA, filed an updated Application for Payment of Administrative Expenses against the Debtor's estate (the "EPA Claim");

WHEREAS, the EPA Claim asserts a claim pursuant to CERCLA for at least \$2,935,310.15, on account of unreimbursed environmental response costs incurred by the United States at the Westwood Site;

WHEREAS, on or about September 22, 2006, the State of New York filed claims against the Westwood estate in the amounts of \$165,680.27 and \$1,021.26, representing (1) DEC's response costs incurred in the emergency removal and response actions at the Westwood Site pursuant to CERCLA; (2) civil penalties for violations of the Environmental Conservation Laws; and (3) regulatory fees due and owing;

WHEREAS, HSBC Bank U.S.A., National Association ("HSBC Bank") is the holder of a purported secured claim on the Debtor's real and personal property located at the Westwood Site, and according to Schedule D of the Voluntary Petition, the amount of HSBC Bank's purported secured claim is \$3,558,108.68;

WHEREAS, the Town of Wallkill (the "Town") and the County of Orange (the "County") are the holders of a purported secured claim against the Debtor in the form of a property tax lien on the real property located at the Westwood Site, and according to Schedule D of the Voluntary Petition, the amount of the Town's and County's purported secured claim is \$516,894.05;

WHEREAS, Eleanor Koch and Rider, Weiner, Frankel & Calhelha PC are purported holders of secured claims against the Debtor;

WHEREAS, on or about April 26, 2006, the Trustee filed an Adversary Proceeding containing causes of action under 11 U.S.C. § 506(c) to "recover from property with purported

secured claims the reasonable, necessary costs and expenses of preserving the value of such property to the extent of the direct benefit provided to the holders of such claims” and to “recover for the estate the necessary response costs that must be paid to the United States Environmental Protection Agency on account of their claims” (the “506(c) Claims”);

WHEREAS, on or about July 24, 2006, the United States, on behalf of EPA, filed a Statement of Interest in the 506(c) Claims;

WHEREAS, in the above-referenced Adversary Proceeding, the Trustee also asserted claims pursuant to CERCLA Sections 107 and 113, 42 U.S.C. §§ 9607 and 9613, against HSBC Bank, Emma Masset, Rocco Giovanniello, and Westwater Technologies, Inc. (the “Trustee’s CERCLA Claims”);

WHEREAS, the Trustee’s CERCLA Claims are not being resolved under this Stipulation and Order, but are being resolved under a separate stipulation and order;

WHEREAS, upon being appointed Trustee, the Trustee took steps to sell the property and assets of the Debtor at the Westwood Site, and on or about September 6, 2006, the Court approved the sale of such property and assets;

WHEREAS, on or about November 22, 2006, the property and assets of Debtor were sold for a cash payment of \$3 million;

WHEREAS, pursuant to a September 6, 2006 Order of the Court, the \$3 million cash proceeds of the sale are being held in escrow in an interest-bearing account maintained by the Trustee as property of the estate;

WHEREAS, the parties hereto, without admission of liability by any party, desire to settle, compromise, and resolve the EPA Claim against the Debtor's estate, the State of New York's administrative claim against the Debtor's estate, and the 506(c) Claims;

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration;

IT IS HEREBY STIPULATED and agreed by and among the parties hereto, subject to approval by the Bankruptcy Court and the provisions of paragraphs 14-15, as follows:

1. The Trustee shall disburse the \$3 million proceeds from the sale of the property of Debtor's estate in full satisfaction of the following claimants' claims against the Debtor's estate as follows: \$1.25 million to the United States on behalf of EPA in settlement of its administrative claim, \$40,000 to the State of New York in settlement of its administrative claim for civil penalties, \$750,000 to HSBC Bank in settlement of its purported secured claim, \$275,000 to the Town and County collectively in settlement of their purported secured claim, \$62,500 to Eleanor Koch in settlement of her purported secured claim, \$41,750 to Rider, Weiner, Frankel & Calhelha PC in settlement of its purported secured claim, with the remainder to be released to the Trustee to pay administrative expenses as authorized by the Court, and to pay the unsecured creditors. Any accrued interest on the \$3 million shall be distributed on a pro rata basis among EPA, the State of New York, HSBC Bank, the Town and County collectively, Eleanor Koch, Rider, Weiner, Frankel and Calhelha, and the unsecured creditors.
2. The United States hereby withdraws with prejudice the EPA Claim against the Westwood Estate in this bankruptcy proceeding for any amount in excess of \$1.25 million.

3. The State of New York hereby withdraws with prejudice its administrative claim against the Westwood Estate in this bankruptcy proceeding for any amount in excess of \$40,000.

4. The Trustee hereby withdraws the 506(c) Claims with prejudice.

5. The Trustee shall pay the amount of \$1.25 million to the United States on behalf of EPA within 12 days of the approval of this Stipulation and Order pursuant to paragraph 6 below. Distributions received by the United States on behalf of EPA will be deposited into the EPA Hazardous Substance Superfund. The Trustee shall pay the amount of \$40,000 to the State of New York within 12 days of the approval of this Stipulation and Order pursuant to paragraph 7 below. The Trustee shall pay the remaining amounts set forth in paragraph 1 by Trustee's check, within 12 days of the approval of this Stipulation and Order, by mail to the remaining settling parties at addresses to be provided to the Trustee following entry of this Stipulation and Order.

6. Payment on the EPA Claim shall be made by Electronic Funds Transfer ("EFT" or wire transfer) to the U.S. Department of Justice lockbox bank, referencing CERCLA Number 02WN, and U.S.A.O. File Number 2005V01063, in accordance with instructions to be provided by the United States to the Trustee after execution of this Stipulation and Order. Any EFTs received at the U.S. Department of Justice lockbox bank after 11:00 A.M. (Eastern Time) will be credited on the next business day.

7. Payment to the State of New York shall be made by Electronic Funds Transfer ("EFT" or wire transfer), payable to the New York State Department of Law, Financial Institution as follows:

Financial Institution: Key Bank NA, Albany, New York
Routing No.: 021300077
Account Name: New York State Office of the Attorney General,
Environmental Protection Bureau
Account No.: 710001119

8. In consideration of the payments that will be made by the Trustee under the terms of this Stipulation and Order, and in consideration of the reduction in the amount of HSBC Bank's purported secured claim as set forth herein, and except as provided in paragraph 9, the United States on behalf of EPA covenants not to bring a civil action or take administrative action against the Debtor's Estate, the Trustee, and/or HSBC Bank pursuant to Sections 106 and 107 of CERCLA, 42 U.S.C. §§ 9606 and 9607, relating to the Westwood Site. This covenant not to sue is conditioned upon the complete and satisfactory performance by the Debtor's Estate, the Trustee, and/or HSBC Bank of their obligations under this Stipulation and Order. This covenant not to sue extends only to the Debtor's Estate, the Trustee, and HSBC Bank, and does not extend to any other person.

9. The covenant not to sue set forth in the previous paragraph does not pertain to any matters other than those expressly specified in the previous paragraph. The United States reserves, and this Stipulation and Order is without prejudice to, all rights against the Debtor's Estate, the Trustee, and/or HSBC Bank with respect to all other matters, and specifically with respect to: liability for damages for injury to, destruction of, or loss of natural resources; liability

for response costs that have been or may be incurred by federal agencies that are trustees for natural resources; claims based on a failure by the Debtor's Estate, the Trustee, and/or HSBC Bank to meet a requirement of this Stipulation and Order; liability arising from any alleged ownership or operation of the Westwood Site, or upon the transportation, treatment, storage, or disposal, or the arrangement for the transportation, treatment, storage, or disposal of hazardous substances at or in connection with the Westwood Site, after the date of signature of this Stipulation and Order by the Debtor's Estate, the Trustee and/or HSBC Bank; and claims relating to any site other than the Westwood Site.

10. With regard to claims for contribution against the Debtor's Estate, the Trustee, and/or HSBC Bank for matters addressed in this Stipulation and Order, the Debtor's Estate, the Trustee, and HSBC Bank are entitled to such protection from contribution actions or claims as is provided by CERCLA Section 113(f)(2), 42 U.S.C. § 9613(f)(2). The "matters addressed" in this Stipulation and Order include only the response action performed by EPA at the Westwood Site pursuant to CERCLA Section 104, 42 U.S.C. § 9604.

11. The Debtor's Estate, the Trustee and HSBC Bank covenant not to sue and agree not to assert any claims or causes of action against the United States with respect to the Westwood Site, including but not limited to: any direct or indirect claim for reimbursement from the Hazardous Substance Superfund, any claims against the United States, its departments, agencies or instrumentalities, and any claims arising out of response activities at the Westwood Site. Nothing in this Stipulation and Order shall be construed to constitute preauthorization of a

claim within the meaning of Section 111 of CERCLA, 42 U.S.C. § 9611 or 40 C.F.R. § 300.700(d).

12. Nothing in this Stipulation and Order shall be construed to create any rights in, or grant any cause of action to, any person not a party to this Stipulation and Order.

13. Entry of this Stipulation and Order will be subject to Bankruptcy Court approval pursuant to Bankruptcy Rule 9019. The Trustee shall file a motion pursuant to Rule 9019 for approval of this Stipulation and Order.

14. Prior to entry of this Stipulation and Order by the Bankruptcy Court, this Stipulation and Order shall be lodged with the Court for a period of not less than 30 days for notice in the Federal Register, and public comment in accordance with 28 C.F.R. § 50.7. The United States reserves the right to withdraw or withhold its consent from this Stipulation and Order if the public comments regarding the Stipulation and Order disclose facts or considerations that indicate that the Stipulation and Order is inappropriate, improper, or inadequate. Following the close of the public comment period, if the United States does not withdraw or withhold its consent, the United States will file a motion for approval and entry of the Stipulation and Order by the Bankruptcy Court which will include the United States' response to any public comments received.

15. If this Stipulation and Order is not approved and entered by the Bankruptcy Court, this Stipulation and Order shall be of no force and effect, whereupon nothing herein shall be deemed an admission of any fact or waiver of any right of any party with respect to the matters contained herein.

16. This Stipulation and Order represents the complete agreement of the parties hereto on the matters referred to herein and supersedes all prior agreements, understandings, promises, and representations made by the parties hereto concerning the subject matter hereof. This Stipulation and Order may not be amended, modified, or supplemented, in whole or in part, without the prior written consent of the parties hereto and the approval and entry of the Bankruptcy Court.

17. This Stipulation and Order may be signed in counterparts.

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FOR THE UNITED STATES OF AMERICA

MICHAEL J. GARCIA
United States Attorney for
the Southern District of New York
Attorney for the United States
Environmental Protection Agency

Date

By:

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Date

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U.S. Department of Justice

1-19-07
Date

*J*_____
GEORGE PAVLOU
Director, Emergency & Remedial Response Division
U.S. EPA, Region 2

FOR THE STATE OF NEW YORK

ELIOT SPITZER

Attorney General

Attorneys for the New York State Department of
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December 22, 2006
Date

[Signature]
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